

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84120-1203
(801) 538-5340

SELF BONDING AND INDEMNITY AGREEMENT

This Self Bonding and Indemnity Agreement ("Agreement") is entered into by and between Utelite Corporation ("Operator") and the State of Utah, Department of Natural Resources, Board and Division of Oil, Gas and Mining ("Board" and "Division", respectively). The Board, Division and the Operator find that:

WHEREAS, pursuant to the Mined Land Reclamation Act, §40-8-1 et seq., Utah Code Annotated (1953, as amended) ("Act") and applicable rules, the Operator has obtained Permit No. M/043/004 from the Division to operate the Utelite Mine ("Mine") in Summit County, Utah, which location is more specifically described in Exhibit A; and,

WHEREAS, the Board, the Division and the Operator agree that, upon permanent cessation of operations, complete reclamation of the Mine pursuant to Permit No. M/043/004, including revisions and amendments (collectively "Permit"), the Act, and applicable rules is essential to protect the land from future harm due to prolonged deterioration; and,

WHEREAS, the Operator and the Division have requested that the Board accept a written contractual agreement as the form of reclamation surety required by the Act; and,

WHEREAS, the Operator has designated CT Corporation System, 170 South Main St., Salt Lake City, Utah, 84111, as its agent for service of process in the State of Utah; and,

WHEREAS, the Operator has been in continuous operation as a business entity for the last twenty-five years; and,

WHEREAS, the post-mining land use for the subject property may or may not include a county land fill; and,

WHEREAS, the Operator has submitted a December 31, 1988 corporate financial statement (1988 income tax basis), and a review opinion in accordance with standards established by the American Institute of Certified Public Accountants and these financial data include assets and liabilities information which establishes the baseline financial standing of the Operator for future determinations of financial capability to perform reclamation under this Agreement.

NOW, THEREFORE, in return for the authority to mine pursuant to the Act, the applicable rules and the Permit, and in addition to other consideration, the sufficiency and receipt of which is hereby acknowledged, the Operator agrees to be held and bonds to the Board for the sum of \$101,800.00 in United States currency for the timely performance of reclamation responsibilities for the Mine as specified by the Permit, the Act, and the applicable rules. By the submission of this Agreement, the Operator will and truly binds itself, its successors and assigns, jointly and severally, by these presents.

The conditions of the above obligations are:

1. The Operator shall perform all duties and fulfill all requirements applicable to reclamation of the Mine as set forth in the Act, the applicable rules, and the terms of the Permit.

2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the reclamation plan for the Permit for the period of time and in the manner specified in the Act, the applicable rules, and the terms of the Permit. The liability or responsibility of the Operator hereunder is \$101,800.00, provided that the Board may adjust the amount of liability hereunder as provided in Section 6 hereof.

3. Utelite hereby agrees to indemnify and hold the Board and Division harmless from any claim, demand, liability, costs, charge, or suit brought by a third party as a result of the Operator's failure to abide by the terms and conditions of the Reclamation Plan as set forth in the Permit and from any failure to comply with the terms of this Agreement.

4. Upon successful completion of part or all of the obligations secured hereby, the Operator may petition the Board for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall conduct an inspection to ascertain whether duties and obligations of the Operator under the Act, the applicable rules, and the Permit have been fulfilled. If it is determined that such duties and obligations have been fulfilled, the Board shall release the Operator from part or all of its obligations under this Agreement and shall file a notice of such release in the property records of Summit County, Utah.

5. At least every five years or at the request of the Operator, this Agreement shall be reviewed by the Division and the amount of liability adjusted if the Division determines that the cost of future reclamation has materially changed.

6. If at any time the Division is satisfied that the post-mining land use of a portion of the mine will include a landfill operated by and for Summit County, the amount of the reclamation surety will be reduced to reflect the decreased reclamation cost estimate.

7. Not later than March 30 of each year, the Operator shall submit to the Division a corporate financial statement and review opinion substantially similar to the December 31, 1988, corporate financial statement initially submitted with this Agreement and attached hereto as Exhibit B. Failure to maintain or improve the ratio of total liabilities to net worth or the ratio of current assets to current liabilities, as compared to the ratios based on Exhibit B, will be grounds for termination of this Agreement. The Operator must provide an alternate reclamation surety in the form and amount satisfactory to the Board prior to 30 days before the date set for termination of this Agreement.


8. If, after notice and hearing, the Board determines that good cause appears to terminate this Agreement, the Board may designate a termination date therefor. The Operator must then provide an alternate reclamation surety in the form and amount satisfactory to the Board prior to 30 days before the stated date of termination.

9. If the Operator fails, within the time periods set forth in paragraph seven of this Agreement, to provide an alternative reclamation surety satisfactory to the Board, the Division or Board may pursue any available remedies, including, but not limited to, the direction to cease all operations at the Mine and the direction to initiate and complete all reclamation operations at the Mine.

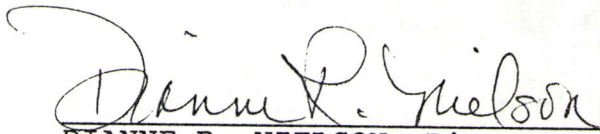
10. This Agreement will be governed and interpreted according to Utah law.

SO AGREED this 25th day of January, 1990.

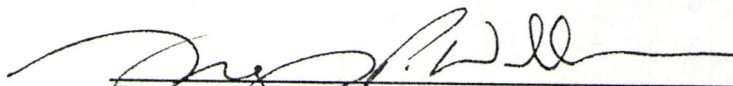
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Date


CARSTEN MORTENSEN, President
Utelite Corporation

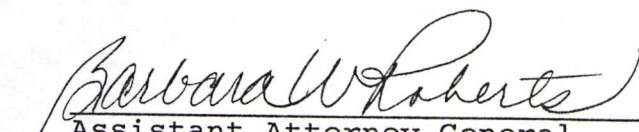
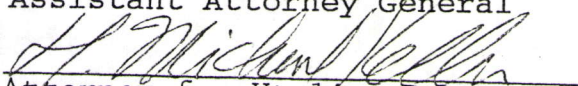
2-26-90
Date


DIANNE R. NIELSON, Director
Division of Oil, Gas and Mining

2/26/90
Date


GREGORY P. WILLIAMS, Chairman
Board of Oil, Gas and Mining

APPROVED AS TO FORM:


Assistant Attorney General

Attorney for Utelite